

Message Text

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PAGE 01 STATE 151446

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ORIGIN TRSE-00

INFO OCT-01 EA-11 ADP-00 EB-11 L-03 RSC-01 /027 R

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DRAFTED BY TREASURY:NGORDON

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APPROVED BY EB/IFD/OMA:JKRIZAY

TREASURY:MFEINBERG

IRS:BOETJEN (SUBST)

EB/IFD/OMA:WBMILAM

EA/J-ECON:WPIEZ

L/EB:DBURNS

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

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E.O. 11652:GDS

TAGS: EFIN

SUBJECT: TAX INVESTIGATIONS

REF: TOKYO A-11, JANUARY 4, 1973

1. IN RESPONSE TO LETTER FROM FUKADA TO EMBASSY, REPORTED
IN REFAIRGRAM, IT IS SUGGESTED THAT THE EMBASSY REPLY,
AFTER THE APPROPRIATE INTRODUCTION, BE ALONG THE
FOLLOWING LINES:

"WE REGARD THE VIEWS OF THE JAPANESE GOVERNMENT
EXPRESSED IN YOUR MEMORANDUM OF DECEMBER 19, 1972,
AS CONSISTENT WITH THE POLICY AND PRINCIPLES OF
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PAGE 02 STATE 151446

ARTICLE 26 OF THE INCOME TAX CONVENTION BETWEEN THE
UNITED STATES AND JAPAN WHICH PROVIDES FOR
EXCHANGES OF INFORMATION BETWEEN THE "COMPETENT

AUTHORITIES" TO CARRY OUT THE PROVISIONS OF THE CONVENTION AND TO PREVENT FRAUD OR FISCAL EVASION. ACCORDINGLY, THE UNITED STATES GOVERNMENT SHARES THE VIEWS IN THE MEMORANDUM, AND IS AGREEABLE TO THE CONDITIONS SET FORTH THEREIN TO GOVERN INVESTIGATIONS BY THE TAX AUTHORITIES OF ONE COUNTRY IN THE OTHER COUNTRY.

"THE JAPANESE TAX AUTHORITY SHALL BE ACCORDED, IF THE NEED ARISES IN THE FUTURE, A SIMILAR TYPE OF ACCESS TO U.S. CORPORATIONS, SUBJECT TO THE PRIOR CONCURRENCE OF SUCH CORPORATION.

"IN THE INTEREST OF EFFICIENCY, AND OF ASSURANCE THAT THE CONDITIONS WILL BE MET, AND BECAUSE THERE MAY BE A COMMON INTEREST IN THE RESULTS OF ANY INVESTIGATION, WE REQUEST THAT JAPANESE TAX OFFICIALS SECURE THE APPROVAL OF THE U.S. COMPETENT AUTHORITY BEFORE CONDUCTING INVESTIGATIONS IN THE U.S. INFORMATION OBTAINED FROM SUCH INVESTIGATIONS SHOULD BE KEPT SECRET, IN ACCORDANCE WITH ARTICLE 26 OF THE INCOME TAX CONVENTION.

"IN ACCORDANCE WITH OUR UNDERSTANDING OF YOUR MEMORANDUM, TAX OFFICIALS OF THE U.S. WILL BE INSTRUCTED TO SECURE THE APPROVAL OF THE COMPETENT AUTHORITY OF JAPAN." ROGERS

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